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Officer Faces Fraud Charges In Probe of Army Intelligence

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A veteran Army intelligence officer was indicted yesterday in Alexandria on charges of defrauding the government as part of a sweeping financial investigation of Army intelligence and special operations units, including the elite hostage rescue team known as Delta Force.

Sources familiar with the investigation, which began in December 1983, said the Army is trying to account for more than \$150 million spent on covert missions from 1981 to 1983, including some missions supporting Central Intelligence Agency operations ordered by President Reagan. The accounting has been difficult because the money's origin was "laundered," or disguised, so it could not be traced to the Army, the sources said.

Investigators have questioned scores of Army intelligence officials and ordered collections of at least \$50,000 in allegedly misspent funds, according to several sources. Some allegations were submitted to the Justice Department nearly two years ago for further investigation.

The federal grand jury indictment yesterday charged that Lt. Col. Dale C. Duncan, 39, who ran a front company called Business Security International that provided security support for secret Army operations, filed false claims to help justify nearly \$158,000 advanced to him for official business.

In addition to the federal charges, Duncan and three other soldiers who worked with him are facing Army courts martial proceedings on allegations of financial irregularities.

Allegations of financial improprieties also have been made against members of Delta Force, the sources said, although it was unclear whether the Delta investigation began independently or grew from the wider inquiry.

Sources said more than 80 soldiers of the estimated 300-member unit have been investigated.

One source said several members of the hostage rescue team face courts martial for alleged double-billing while on classified assignments for the State Department and CIA during the past three years. Some members of small Delta teams, assigned since 1982 to protect U.S. ambassadors at embassies in such hazardous places as Lebanon, El Salvador and Honduras, allegedly collected expenses improperly from both the State Department and the Army, the source said.

The wide-ranging financial investigation has become controversial in the Army, in part because it has lasted so long, according to some officials.

Retired Lt. Gen. James B. Vaught, who directed Army Special Operations Forces in 1981 and knows some of those under investigation, said in an interview, "It seems to me to be unusual for people to be held in the status of 'you are under investigation' for two years."

Noel C. Koch, the Pentagon civilian in charge of Special Operations Forces, yesterday declined to comment on the investigations. But he questioned whether former senior Army leaders had been held accountable for irregularities that occurred under their command.

"Some of this must have gone on under the previous leadership," Koch said. "So it's a reasonable question to what extent these people are engaged now in the [investigative] process and how it was possible, if there was wrongdoing, for it to have gone on so long under them and to have gone on unnoticed."

Gen. Max R. Thurman, the Army vice chief of staff who, according to several sources, has directed the investigation, had no comment on the investigation, Army spokesman Col. Bill Smullen said yesterday.

Yesterday's indictment charges Duncan with filing a false claim for a \$796 airline ticket he had received free under an airline bonus program; with falsely claiming to have spent \$8,400 to charter a DC3 airplane in April 1983, and with submitting a voucher for \$56,230 worth of electronic equipment that had been paid for a year earlier by another Army department.

Duncan said he would have no comment. His attorney, John Dowd, said, "This is a man who has served his country for 18 years, won the Silver and Bronze stars in combat in Vietnam, and when all the facts are known to a jury, we believe his integrity will be upheld."

Duncan and his wife, Laura, filed a suit in federal court in Alexandria earlier this year charging the Army with violating their constitutional rights by illegally obtaining their financial records from American Express Inc. The credit card company is also named as a defendant.

All records in the civil suit have been sealed at the government's request on grounds of national security.

Duncan is due to be arraigned on the criminal charges Friday.